

Inqlis

ANNUAL REPORT 1978

Financial Highlights

	1978	1977
Sales	\$133,699,000	\$122,644,000
Net earnings	\$ 3,981,000	\$ 1,343,000
Per share	\$ 3.03	\$ 1.02
Dividends paid	\$ 526,000	\$ 526,000
Per share	\$.40	\$.40
Working Capital	\$ 30,925,000	\$ 26,203,000
Shareholders' equity	\$ 31,162,000	\$ 27,707,000
Per share	\$ 23.68	\$ 21.06

INGLIS LIMITED

14 Strachan Avenue, Toronto, Canada M6K 1W6

Le secrétaire, au siège social, vous fera
volontiers parvenir un exemplaire du rapport
annuel en français, sur demande.

Report of the Board of Directors

To the Shareholders:

Your Directors present herewith the Annual Report of your Company for the year ended December 31, 1978.

Net sales for the year ended December 31, 1978 amounted to \$133,699,000 compared to net sales of \$122,644,000 for the year ended December 31, 1977. Net earnings for 1978 were \$3,981,000 or \$3.03 per share as compared with net earnings of \$1,343,000 or \$1.02 per share for 1977.

The improvement in earnings compared to last year was a result of a number of factors including improved inventory and expense controls. Increased levels of productivity at both plant locations . . . Strachan Avenue, Toronto and Stoney Creek . . . contributed substantially to the year's improved performance.

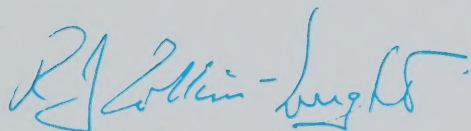
Results in 1977 were adversely affected by abnormal bad debt losses and the continuation into January, 1977 of the labour stoppage at the Stoney Creek plant.

During 1978, we completed the expansion of our automatic washer manufacturing facilities and plans to expand and rearrange our dryer manufacturing operations will be implemented late in 1979 and completed early in 1980. In January, 1979, we commenced the manufacture of compact washers previously imported.

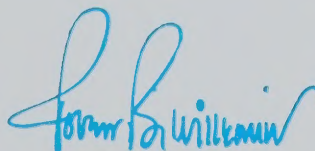
For the past two years, consumer demand for major home appliances has shown very little improvement and this trend is expected to continue into 1979. However, the continued acceptance of refrigerator models we introduced in 1978 should result in greater market share and augment our proven strong position in laundry products.

Your Directors wish to record their appreciation of the dedication and effort of the employees and the support of our suppliers and customers during the past year.

On behalf of the Board,



Robert J. Collins-Wright
President and Chief Executive Officer



Robert B. Willemin
Chairman of the Board

February 28, 1979

Balance Sheet

December 31, 1978 (with comparative figures at December 31, 1977)

INGLIS LIMITED

(Incorporated under the laws of Ontario)

Assets	1978	1977
Current assets		
Short-term notes	\$ 6,000,000	\$ —
Accounts receivable (note 2)	10,465,000	10,220,000
	16,465,000	10,220,000
Inventories (note 2)—		
Finished products	20,625,000	18,918,000
Materials and work in process	12,364,000	15,236,000
	32,989,000	34,154,000
Prepaid expenses	476,000	356,000
Income taxes recoverable	—	243,000
Total current assets	49,930,000	44,973,000
Fixed assets		
Land	645,000	720,000
Buildings	9,371,000	9,354,000
Equipment	17,804,000	17,864,000
	27,820,000	27,938,000
Less accumulated depreciation	12,981,000	11,863,000
	14,839,000	16,075,000
Unamortized tooling costs	1,982,000	2,162,000
	16,821,000	18,237,000
	\$66,751,000	\$63,210,000

On behalf of the Board:

Robert B. Willemin, Director

Robert J. Collins-Wright, Director



Liabilities	1978	1977
Current liabilities		
Bank advances (note 2)	\$ 35,000	\$ 2,866,000
Accounts payable, warranties and accrued charges	14,494,000	14,470,000
Income and other taxes payable	2,970,000	—
Deferred service contract revenue	1,506,000	1,434,000
Total current liabilities	19,005,000	18,770,000
Provision for warranty	1,905,000	2,072,000
Deferred income taxes	2,679,000	2,661,000
Long-term debt (note 3)	12,000,000	12,000,000
Shareholders' equity		
Capital—		
Authorized 1,500,000 shares of no par value		
Issued 1,315,831 shares	11,814,000	11,814,000
Retained earnings	19,348,000	15,893,000
	31,162,000	27,707,000
	\$66,751,000	\$63,210,000

(See accompanying notes to financial statements)

Statement of Earnings

INGLIS LIMITED

For the year ended December 31, 1978 (with comparative figures for 1977)

	1978	1977
Sales	\$133,699,000	\$122,644,000
Earnings on operations before the undernoted	\$ 9,693,000	\$ 5,359,000
Less:		
Depreciation and amortization	2,423,000	1,894,000
Interest on long-term debt	1,320,000	1,178,000
Other interest expense (net)	—	629,000
	3,743,000	3,701,000
Earnings before income taxes	5,950,000	1,658,000
Income taxes	1,969,000	315,000
Net earnings for the year	\$ 3,981,000	\$ 1,343,000
Earnings per share	\$ 3.03	\$ 1.02

Statement of Retained Earnings

INGLIS LIMITED

For the year ended December 31, 1978 (with comparative figures for 1977)

	1978	1977
Retained earnings at beginning of year	\$ 15,893,000	\$ 15,076,000
Net earnings for the year	3,981,000	1,343,000
	19,874,000	16,419,000
Dividends	526,000	526,000
Retained earnings at end of year	\$ 19,348,000	\$ 15,893,000

(See accompanying notes to financial statements)

Statement of Changes in Financial Position

INGLIS LIMITED

For the year ended December 31, 1978 (with comparative figures for 1977)

	1978	1977
Working capital at beginning of year	\$26,203,000	\$20,310,000
Source of funds		
Operations—		
Net earnings for the year	3,981,000	1,343,000
Add (deduct) items not requiring an outlay of working capital		
Depreciation and amortization	2,423,000	1,894,000
Deferred income taxes	18,000	1,188,000
Decrease in long-term warranty provision . .	(167,000)	(283,000)
	6,255,000	4,142,000
Increase in long-term debt	—	8,000,000
	6,255,000	12,142,000
Application of funds		
Additions to fixed assets (net)	1,007,000	5,723,000
Dividends	526,000	526,000
	1,533,000	6,249,000
Increase in working capital	4,722,000	5,893,000
Working capital at end of year	\$30,925,000	\$26,203,000

(See accompanying notes to financial statements)

Notes to Financial Statements

INGLIS LIMITED

December 31, 1978

1. Summary of principal accounting policies

Inventories—

Inventories are valued at the lower of cost on a first-in, first-out basis or net realizable value.

Fixed assets—

Land, buildings and equipment are stated at cost. Depreciation is based on the estimated average useful lives of the various classes of assets, calculated on the straight-line method at rates varying from 2½% to 25%. Upon sale or retirement, the cost of the asset and the related accumulated depreciation are removed from the accounts and any gain or loss thereon is taken into earnings. Major tooling costs are amortized over one to five years based on the estimated useful life of the tool.

Service contract revenue—

Service contract revenue is deferred on receipt and amortized over the one-year term of the service contract.

Product warranty—

The company recognizes the estimated cost of warranty obligations to the consumers of its products at the time the product is sold.

Income taxes—

As a result of differences in the timing of expenses for tax and book purposes, income taxes currently payable differ from the provision for taxes shown on the statement of earnings. Deferred taxes applicable to the current portion of warranty obligations and differences relating to current assets giving rise to current deferred taxes payable have been grouped and shown with prepaid expenses.

Deferred taxes applicable to the use of accelerated depreciation for income tax purposes, and to other non-current items, are classified as deferred income taxes.

Investment tax credits—

The benefits arising from the investment tax credit provisions of the Income Tax Act are treated as a reduction of the current year's income tax provision.

Foreign exchange—

Current assets and liabilities in United States currency have been converted into Canadian dollars at the rate of exchange in effect at December 31, 1978.

2. Bank advances

Accounts receivable and inventories have been pledged to the bank as security for the bank advances.

3. Long-term debt

At December 31, 1978, \$12,000,000 of 11% Secured Sinking Fund Debentures, Series "A", maturing February 1, 1994 were outstanding with sinking fund payments commencing February 1, 1981 at the rate of \$850,000 annually to 1993 and \$950,000 at maturity.

These debentures are secured by a first floating charge on the undertaking and assets of the company subject to the pledge of assets referred to in note 2. The trust indenture includes provisions relating to the level of working capital and restrictions on payment of dividends. The most restrictive of the provisions limits dividends to 70% of the net earnings accumulated after December 31, 1975. The accumulated amount (as defined) available for the payment of dividends is \$4,305,000 as at December 31, 1978.

4. Directors' and senior officers' remuneration

The aggregate direct remuneration for the year paid or payable to directors and senior officers amounted to \$482,000.

5. Commitments

Based on the latest actuarial valuation of the company's pension and retirement plans, it is estimated that the unfunded obligation of the company for past service pension benefits is approximately \$1,500,000. The obligation will be funded and absorbed against income by annual payments to the Trustee based upon amortization periods not exceeding fourteen years.

6. Anti-Inflation Act

The company was subject to, and believes it complied with, controls on prices, profits, employee compensation and shareholder dividends under the Federal Anti-Inflation Act.

Auditors' Report

To the Shareholders of Inglis Limited:

We have examined the balance sheet of Inglis Limited as at December 31, 1978 and the statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada, February 14, 1979.

Clarkson, Gordon & Co.
Chartered Accountants

Five Year Statistical Review 1974—1978

(In Thousands of Dollars)

INGLIS LIMITED

	1978	1977	1976	1975	1974
Operations					
Sales	\$133,699	\$122,644	\$121,792	\$110,498	\$87,567
Earnings before income taxes	\$ 5,950	\$ 1,658	\$ 5,406	\$ 5,302	\$ 3,677
Per cent to sales	4.5%	1.4%	4.4%	4.8%	4.2%
Net earnings for the year	\$ 3,981	\$ 1,343	\$ 3,080	\$ 3,068	\$ 2,039
Per cent to sales	3.0%	1.1%	2.5%	2.8%	2.3%
Per share	\$ 3.03	\$ 1.02	\$ 2.34	\$ 2.33	\$ 1.55
Earned on shareholders' equity	13.5%	4.9%	12.0%	13.3%	9.7%
Dividends paid	\$ 526	\$ 526	\$ 526	\$ 526	\$ 461
Per share	\$.40	\$.40	\$.40	\$.40	\$.35
Depreciation on buildings and equipment	\$ 1,636	\$ 1,463	\$ 1,221	\$ 1,149	\$ 985
Amortization of tooling	\$ 787	\$ 431	\$ 464	\$ 511	\$ 375
Additions to land, buildings and equipment—net	\$ 400	\$ 4,314	\$ 3,629	\$ 1,233	\$ 1,431
Additions to tooling	\$ 607	\$ 1,409	\$ 682	\$ 299	\$ 416
Balance Sheet					
Working capital	\$ 30,925	\$ 26,203	\$ 20,310	\$ 19,731	\$16,934
Ratio of current assets to current liabilities	2.63:1	2.40:1	1.88:1	2.28:1	1.48:1
Land, buildings and equipment—net	\$ 14,839	\$ 16,075	\$ 13,224	\$ 10,816	\$10,732
Unamortized tooling	\$ 1,982	\$ 2,162	\$ 1,184	\$ 966	\$ 1,178
Long-term debt	\$ 12,000	\$ 12,000	\$ 4,000	\$ 4,000	\$ 4,000
Shareholders' equity—					
Capital	\$ 11,814	\$ 11,814	\$ 11,814	\$ 11,814	\$11,814
Retained earnings	\$ 19,348	\$ 15,893	\$ 15,076	\$ 12,522	\$ 9,980
	\$ 31,162	\$ 27,707	\$ 26,890	\$ 24,336	\$21,794
Number of shares outstanding (in thousands)	1,316	1,316	1,316	1,316	1,316
Book value per share	\$ 23.68	\$ 21.06	\$ 20.44	\$ 18.49	\$ 16.56
Non-Financial					
Number of employees (year end)	2,090	1,881	2,070	1,933	2,225
Number of shareholders (year end)	842	869	929	974	1,013

Directors

Donald S. Anderson

Herbert K. Anspach

Charles-É. Bélanger

Sidney L. Boyar

Air Marshal Hugh Campbell, C.B.E., C.D.

Robert J. Collins-Wright

James D. Irving

Douglas J. Peacher

R. Barrett Simpson

Humphrey B. Style

Robert B. Willemin

Bankers

The Royal Bank of Canada
Royal Bank Plaza,
Toronto, Canada M5J 2J5

Auditors

Clarkson, Gordon & Co.
P.O. Box 251,
Toronto-Dominion Centre,
Toronto, Canada M5K 1J7

Transfer Agent and Registrar

Canada Permanent Trust Company
20 Eglinton Avenue West,
Toronto, Canada M4R 2E2
600 Dorchester Boulevard West,
Montreal, Canada H3B 1N6

Stock Exchanges

Common Stock of Inglis Limited
is listed on The Toronto Stock Exchange
and the Montreal Stock Exchange.

The exchange symbol for Inglis Limited is ING.

Officers

Robert B. Willemin

Chairman of the Board

Robert J. Collins-Wright

President and Chief Executive Officer

Gordon I. Forsell

Vice President—
Inglis and Whirlpool Sales

Peter A. Ketchum

Vice President—
Physical Distribution

G. Douglas Smith

Vice President—
Personnel

Norman A. Stewart

Vice President—
Consumer Services

Edward J. Von Arb

Vice President—
Engineering

Alfred C. Chink

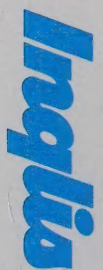
Comptroller and Treasurer

Donald H. Hobbs

Corporate Secretary

The complete Inglis product line is listed below:

automatic washers
automatic dryers
refrigerators
ranges
dishwashers
Trash Masher compactors
dehumidifiers
fuel pumps
coin operated laundry equipment
commercial icemakers



INGLIS LIMITED

14 Strachan Avenue, Toronto, Canada M6K 1W6

